

### R E M A R K S

By this Amendment the revised paragraphs previously proposed from page 14, line 23 to page 17, line 3 of the specification has been resubmitted with corrected paragraphs that include "Example 10" that was inadvertently omitted. Entry is requested.

In the outstanding final Office Action the examiner has objected to the drawings because they do not show the reflection enhancing layer as metal in Figs. 28-31, or an HRI layer in Figs. 32-34, i.e., as described in the specification.

It is believed that the examiner is confused regarding the specification changes made in the Amendment of December 10, 2007, because the heading "Example 10" was not included in the replacement paragraphs between page 14, line 23 and page 17, line 3.

The undersigned apologizes for this error, which has been corrected herein. Based on the applicants' comments on page 11 of the Amendment filed December 10, 2007, the examiner's drawing objections should be withdrawn.

The examiner has rejected claims 1, 3-6, 9-16, 21 and 22 under 35 U.S.C. 103(a) as being unpatentable over Schneider et al. in view of Phillips et al., she has rejected claim 2 under 35 U.S.C. 103(a) as being unpatentable over the same two patents, further in view of Small et al., she has rejected claims 7 and 8 under 35 U.S.C. 103(a) as being unpatentable over the same two patents, further in view of EP 319157A,

she has rejected claims 17, 18 and 20 under 35 U.S.C. 103(a) as being unpatentable over the same two patents, further in view of Kaule et al. '241, and she has rejected claims 17, 18 and 20 under 35 U.S.C. 103(a) as being unpatentable over the same two patents, further in view of Kaule et al. '813.

The applicants again assert that these rejections are incorrect.

As stated previously, the essence of the present invention is the combination of a transparent magnetic layer formed from a hard magnetic material (not flake particles as stated by the examiner) having a particular composition together with indicia formed from a combination of opaque and non-opaque regions. Schneider et al. disclose a security substrate with indicia, but make no reference to the use of any magnetic layer, let alone one with the particular characteristics required in the present invention.

Phillips et al. describe a substrate with a magnetic layer; however, they do not describe the use of a transparent layer with the requisite composition. In support of her rejection, the examiner has stated (at the top of page 6 of the Office Action) that Phillips et al. teach a transparent magnetizable coating layer, referring to lines 5 to 11 of the abstract. The abstract refers to "applying a layer of magnetizable pigment coating in liquid form on a substrate, with a magnetizable pigment coating containing a plurality of magnetic non-spherical particles or flakes." This does not say that the layer is transparent. This is an incorrect assumption made

by the examiner. Moreover, it refers to the fact that the magnetizable coating is a pigment coating, which must mean that it is not transparent, but has a color.

The examiner has further referred to column 10, lines 1 to 10 of Phillips et al. as allegedly disclosing that one of the properties of the soft magnetics in the magnetizable coating is transparency. This passage actually reads

"The magnetic material may be selected for its reflecting or absorbing properties as well as its magnetic properties. When utilized to function as a reflector, the magnetic material is deposited to a thickness so that it is substantially opaque. When utilized as an absorber, the magnetic material is deposited to a thickness so that it is not substantially opaque."

This disclosure is absolutely not the same as saying that the magnetic material is transparent and clear. This layer is part of the individual flake structure illustrated in Figures 2 to 11 and is for the special case where the magnetic layer is to be used as an absorbing layer in a colorshifting pigment. Even in the special case, the flake itself will be opaque as it will still have the reflector layer.

Figure 1 of Philips et al. shows a polymeric carrier 22 and a printed magnetic ink 24, comprising an image area 28 which is used to orientate

the magnetic flakes in coating 26. There is no disclosure of layer 24 being transparent, and the reference in column 10 refers to the flakes in layer 26. The whole point of layer 26 is to form an optically variable three dimensional effect created by the orientation of the highly reflective magnetic flakes (RMF). This effect is described in column 6 lines 6-31, where it discusses the coating appearing black in the regions of maximum reorientation and appearing the color of the remaining surface regions in the non-reorientated regions. By this it means the colored faces of the pigment flakes. Therefore, there is no teaching of a transparent coating on a security substrate, just the teaching of a transparent layer on individual flakes which also contain other opaque layers.

Opacity is the measure of impenetrability to visible light. An opaque object is neither transparent, which means that all light is able to pass through, nor translucent, which means that some light is able to pass through. An opaque substance transmits very little light and therefore it reflects, scatters or absorbs most of it.

Transparency is the property of allowing light to pass through; transparent materials are clear and they can be seen through. Translucent materials are likely to pass through them only diffusely and they cannot be seen through. Thus, a transparent material cannot act as an absorber as the light will pass straight through it.

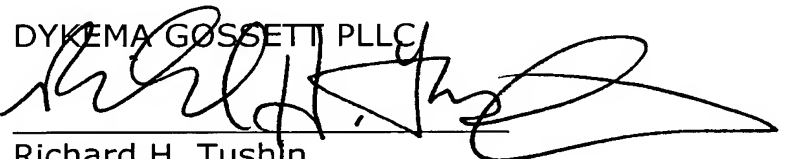
As such, not only would a person of ordinary skill in the art not combine the teachings of these two documents, as the visual features of Phillips et al. would interfere with the visual features of Schneider et al., but even if combined, the various features of claim 1 would not be suggested.

Favorable reevaluation is requested.

Respectfully submitted,

DYKEMA GOSSETT PLLC

By:



Richard H. Tushin  
Registration No. 27,297  
Franklin Square, Third Floor West  
1300 I Street, N.W.  
Washington, DC 20005-3353  
(202) 906-8600